

# 2.

## Livelihoods – A Conceptual Understanding

In this section, we trace a variety of strands from various disciplines - anthropology, sociology, ecology and economics, which have enriched the conceptual understanding of livelihoods. Then in the following section, we describe and critically analyze a number of conceptual livelihood approaches and frameworks.

In the early stages of society and the economy, people made a living by consuming whatever they foraged or produced. The earliest communities were hunter-gatherers. Later, some settled and become farmers, while others became migrant pastoralists. As society evolved and small habitations grew to become villages, towns and cities, others took to skilled jobs such as clay work, woodwork and metal work. Early scholars constructed an image of an economic man, *Homo economicus*, who rationally maximized his or her own interest.

“It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own self-interest. We address ourselves not to their humanity but to their self-love, and never talk to them of our own necessities, but of their advantages”.<sup>8</sup>

People used their ingrained capabilities, to modify resources around them, and to make them more useful for themselves (self-consumption) or for others by marketing them. As technologies evolved and later with the discovery of machine power during the industrial revolution, a new phenomenon was observed, especially in Western Europe of the 17<sup>th</sup> century. There emerged a class of people who owned machines. This group started employing others, who did not own the machines. Over time, the livelihoods of those who owned the means of production, such as land, machinery, etc, became very different from those who were employed by them. This led to class differences and to ‘division of labor’ among the working classes, paving the way to the growth of highly specialized occupations. Adam Smith illustrated this with the example of a pin making factory where the productivity showed around 240 to 4,800 fold increase due to division of labor:

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<sup>8</sup> Smith, Adam (1776). *An Inquiry into the Nature & Causes of the Wealth of Nations*, Vol 1 Republished in 2007 by Cosimo Classics

“One man draws out the wire, another straightens it, a third cuts it, a fourth points it, a fifth grinds it at the top for receiving the head; to make the head requires two or three distinct operations; to put it on, is a peculiar business, to whiten the pins is another; it is even a trade by itself to put them into the paper; and the important business of making a pin is, in this manner, divided into about eighteen distinct operations, which, in some manufactories, are all performed by distinct hands, though in others the same man will sometimes perform two or three of them”.<sup>9</sup>

With increasing accumulation of capital, some nations searched for new markets and sources of raw material and labor. This led to colonialism, a phase that lasted about 300 years and ended only in the middle of the 20<sup>th</sup> century. A dual pattern of livelihoods characterized most colonized countries with a vast majority eking out a subsistence livelihood from agriculture as before, while a small proportion in coastal cities became industrial workers or service workers in shipping, banking, trade, commerce, administration, and so on. The second half of the 20<sup>th</sup> century was characterized by increasing industrialization and massive increases in production and consumption. This led to a jump in the exploitation of natural resources, most of which were non-renewable. It is at this point that ecological viewpoints started influencing economic thinking as well as the conceptualization of livelihoods. We trace the origins of this development in the next section.

## **2.1 Environment and Livelihoods: A Slow Realization of Interdependence**

Scholars from different walks of life started recognizing that economic choices were embedded in a social reality. When describing the African tribe Nuer's strategies for making a living, the anthropologist, Evans-Pritchard<sup>10</sup> (1940), observed that communities undertook many livelihood activities, particularly rearing cattle, but these activities acquired significant social or cultural meaning, thus becoming an integral part of their lives. Evans-Pritchard wrote:

“Ecology shapes the nature of human production, and the Nuers are no exception to this rule. The Nuers were predominantly cattle pastoralists who also engaged in limited horticultural pursuits. They consider that horticulture is an unfortunate necessity involving hard and unpleasant labor and not an ideal occupation, and they tend to act on the conviction that the larger the herd [of cattle] the smaller need be the garden”.

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<sup>9</sup> <http://divisionoflabor.com/archives/000006.php>

<sup>10</sup> Evans-Pritchard, E. E. 1940. The Nuer: A description of the modes of livelihood and political institutions of a Nilotic people

One can extend Evans-Pritchard's line "Ecology shapes the nature of human production" by saying that, in turn, human production impacts livelihoods and those then give a distinct cultural identity to that group of humans. An Indian livelihood researcher, Purnendu Kavoori made the following observation about the livelihood activity choices of people in Western Rajasthan, which is a near desert area:

"One of the drought mitigation strategies of livestock raisers is that in adverse conditions they migrate with their herds of animals (both seasonal migration and/ or long term migration) within and outside the state depending upon the availability of fodder and cooperation of people on the routes of migration".<sup>11</sup>

Mahatma Gandhi was one of the first and earliest thinkers reflecting on the root cause of scarcity, and its opposite, which we now call sustainability. In his book written in 1909, *Hind Swaraj*,<sup>12</sup> he enquired, "What is civilization?" and then answered:

"Civilization is that mode of conduct which points out to man the path of duty. Performance of duty and observance of morality are convertible terms. To observe morality is to attain mastery over our mind and our passions. So doing, we know ourselves. The Gujarati equivalent for civilization means 'good conduct'. If this definition be correct, then India has nothing to learn from anybody else, and this is as it should be. We notice that the mind is a restless bird; the more it gets the more it wants, and still remains unsatisfied. The more we indulge our passions the more unbridled they become. Our ancestors, therefore, set a limit to our indulgences. They saw that happiness was largely a mental condition. A man is not necessarily happy because he is rich or unhappy because he is poor. The rich are often seen to be unhappy, the poor to be happy. Millions will always remain poor. Observing all this, our ancestors dissuaded us from luxuries and pleasures".

"We have managed with the same kind of plough as existed thousands of years ago. We have retained the same kind of cottages that we had in former times and our indigenous education remains the same as before. We have had no system of life corroding competition. Each followed his own occupation or trade and charged a regulation wage. It was not that we did not know how to invent machinery, but our forefathers knew that if we set our hearts after such things, we would become slaves and lose our moral fibre. They therefore, after due deliberation decided that we should only do what we could with our hands and feet.

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<sup>11</sup> Kavoori, Purnendu (1999), *Pastoralism in Expansion: Transhuming Herders of Western Rajasthan*, Oxford, New Delhi

<sup>12</sup> Gandhi, Mohandas K. (1909) *Hind Swaraj*

They saw that our real happiness and health consisted in a proper use of our hands and feet. They further reasoned that large cities were a snare and a useless encumbrance and that people would not be happy in them, that there would be gangs of thieves and robbers, prostitution and vice flourishing in them and that poor men would be robbed by rich men. They were, therefore, satisfied with small villages”.

Gandhi had recognized, as early as 1909, that growth could not be unlimited. Therefore, instead of producing more, using more and more of resources, people must produce what they consume, and limit their consumption to what they need. He also observed that diversity is natural, while equality is not. All people are not born with equal endowments or equal abilities. Any efforts to enforce equality would not last long. Therefore, Gandhi proposed that those who have more, need not and must not be deprived of their possessions. However, they must be educated to care for the others, and hold all resources as a trustee of the community they live in. And this form of a care-based support to all is feasible only when people live in a community, where they know each other as individuals. Gandhi argued that only if everybody limited production together to what the community required, there would be no over-exploitation of natural resources. He believed that all transactions should be limited within the community. As production would not exceed the community's consumption, there would be no need to 'market' products. He envisaged that if such a need arose, it would lead to a situation where the 'haves' were bound to have an advantage over the 'have-nots'.

The 1970s witnessed growing concern about the degrading ecological resources. In the 50s and 60s, in their zeal to increase production, industries adopted technologies that ravaged the environment. In the seventies, across the world, society raised its voice against indiscriminate exploitation of natural resources and adoption of technologies focused on boosting production, often at the cost of the environment. Some leaders of this movement, such as EF Schumacher,<sup>13</sup> a British economist argued that “the modern economy is unsustainable”. Natural resources (like fossil fuels) are not renewable and thus, subject to eventual depletion. He further argued that nature's resistance to pollution was limited. He propounded the philosophy of 'enoughness', which took into account human needs, limitations and appropriate use of technology. He faulted conventional economic notions that 'growth is good' and 'bigger is better', and questioned the suitability of mass production in developing countries, promoting in its place, 'production by the masses'.

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<sup>13</sup> Schumacher E.F.(1973). *Small Is Beautiful: A Study of Economics As If People Mattered*. The excerpts are adapted from the Wikipedia article on the book.

Schumacher was one of the first economists to question the appropriateness of the use of gross national product to measure human well-being, emphasizing that “the aim ought to be to obtain the maximum amount of well-being with the minimum amount of consumption”. This was a remarkable return to Mahatma Gandhi’s ideas in *Hind Swaraj* in 1909.

Around the same time, the Club of Rome, a global think tank founded in 1968 and dealing with wide ranging international political issues, commissioned a unique study. The study, *Limits to Growth*, used a computation world model with five variables: world population, industrialization, pollution, food production and resource depletion. The authors explored the possibility of achieving a sustainable feedback pattern by altering growth trends among the five variables under three scenarios. Two scenarios modeled showed overshooting and collapse of the global system by the mid to latter part of the 21<sup>st</sup> century, while a third scenario resulted in a stabilized world.<sup>14</sup> The first two were based on assumptions of continuous growth in consumption while the third assumed consumption tapering off.

After the 1972 Stockholm Conference on the Human Environment and the 1980 World Conservation Strategy of the International Union for the Conservation of Nature, the leaders of the world realized the need to create an organization with the sole purpose of raising awareness of the need for sustainable development. At the UN General Assembly in 1983, they saw a growing need for an organization to address these environmental challenges which were intertwined with economic and social conditions as well.<sup>15</sup>

United Nations set up World Commission on Environment and Development (also known as the Brundtland Commission) in 1983, under the leadership of Gro Harlem Brundtland, the former Prime Minister of Norway, regarded for her experience in the sciences and public health. The Brundtland Report,<sup>16</sup> coined and defined the meaning of the term ‘Sustainable Development’ as: “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

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<sup>14</sup> Meadows, D.H, et al (1972). *Limits to Growth*. Universe Books. Excerpts summarized from Wikipedia article

<sup>15</sup> Report of the World Commission on Environment and Development, *Our Common Future*, United Nations, 1987

<sup>16</sup> Brundtland, et al (1987). *Our Common Future*. Oxford University Press

The Report recognized that poverty reduction, gender equity and wealth redistribution were crucial to formulating strategies for environmental conservation, and it also recognized the environmental limits to economic growth that existed in industrialized and industrializing societies. There has been an upsurge of interest in the environmental underpinnings of sustainable livelihoods, since then. In addition to the influence of ecological thinking, thoughts and opinions from the fields of anthropology, sociology and development economics have influenced the conceptualization of livelihoods. We examine these influences next, in order to develop a more holistic view of livelihoods beyond the economic view circumscribed by employment and income.

## 2.2 Culture Influences How People Make a Living

A Hungarian thinker, Karl Polanyi (1886-1964), gave the concept of livelihood a theoretical foundation in some of his works in the 1940s.<sup>17</sup> He emphasized that economic behavior is historically embedded in social and cultural reality. Polanyi agreed that in order to live, people need a material base to satisfy their needs and wants. But the means they used to meet these needs depended on their social, political and cultural situation. He stressed that ‘the means, not the wants, are material and formed the basis of their livelihoods’. In his definition of substantive economy, he emphasized the central role of rights and obligations, and of norms such as reciprocity.

Kimble, the former Head of the National Geographic Society of America, in a vast, 1100-page study<sup>18</sup> of the economy, society, and politics of the African continent, urged Americans to adopt a more enlightened view. He argued, “Americans found it hard to believe, that Africa’s six hundred groups, or peoples, were not like us. Isn’t it time to concede the possibility of our thoughts not always being their thoughts, or our desires their desires?”

In dealing with Africa, Kimble warned, Americans should be respectful of the fact that many Africans were skeptical of Western political institutions, and not eager to imitate them. It was becoming clear from the detailed documentation by scholars, of the livelihood patterns of people in different parts of the world that many of the activities that people engaged in, otherwise categorized as social or cultural rituals, had their roots in the economic rationale of making a living.

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<sup>17</sup> Polanyi, Karl (1977). *The Livelihood of Man* 1977, edited by Harry W. Pearson. Academic Press. Written in the early 1960s, this book was based on his field work in 1940s, and was only published posthumously.

<sup>18</sup> Kimble, George H.T. 1960. *Tropical Africa: Land and Livelihoods* The Twentieth Century Fund as explained in TCF’s 75th Anniversary Publication

These accounts illustrated that en-masse participation in social events played a very important role in risk mitigation. They argued that any attempt to enhance livelihoods of people, especially the poor, without regard for social and cultural norms, would not work.

The fact that culture and livelihoods strongly interrelate, is now globally recognized.

In February 2005, a group of experts, the Jodhpur Initiatives, defined 'cultural industries' as those producing tangible or intangible artistic and creative outputs, and which have a potential for wealth creation and income generation by utilizing cultural assets and production of knowledge-based goods and services (both traditional and contemporary). A common feature of cultural industries is that they all use creativity, cultural knowledge and intellectual property to produce products and services with social and cultural meaning.

### **2.3 Well-Being and Capabilities**

Amartya Sen (1976)<sup>19</sup> and others recognized that people worked towards their well-being. This well-being is a multidimensional phenomenon and not unidimensional income poverty alleviation. They recognized that measuring development using common yardsticks of economic growth obscures the problems posed by poverty. They recommended a 'basic needs' approach to help the poor overcome poverty. This meant supplementing efforts to increase productivity of the poor by providing for their basic needs, not met otherwise, in areas such as (i) education and health, (ii) human resource development, (iii) wage goods and public services, along with short-term subsidy programs to enable them to afford at least a minimum bundle of basic needs, till the time their productivity levels improved.

Amartya Sen<sup>20</sup> was the first amongst thinkers to define 'functionings' as consisting of 'beings and doings', a state of mind and a set of activities. For Sen, capabilities are the alternative combinations of functionings a person is feasibly able to achieve. Thus, capability has two parts: functionings and the substantive freedom to pursue different functioning combinations.

Though it was initially believed that capability was the sum total of all the skills and knowledge of the people, it was later recognized that capability was also dynamic.

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<sup>19</sup> Sen, Amartya, 1976. Poverty: An Ordinal Approach to Measurement. *Econometrica*, Vol 44 (2), March 1976.

<sup>20</sup> Sen, Amartya. (1999). *Development as Freedom*. New York: Knopf

Any addition or a death in the family or an adverse health condition of important members altered capabilities. Moreover, people responded to changing contexts of resource availability and market demand to modify their capabilities. Therefore, one has to take into account the social, political and cultural aspects in order to understand livelihoods.

## 2.4 The Poor Adopt Different Livelihood Strategies to Manage Risk

Chambers and Conway<sup>21</sup> observed that the poor were much more vulnerable to risks and shocks than their privileged counterparts. Often the poor cannot take up livelihood activities, which quite possibly could fetch them a far higher return. If the activity does not work out due to some unexpected reason, it may mean a matter of life or death. They often chose a mix of activities, which do not give them the highest return, but even if one of the activities fails, they can fall back on others to ensure their survival. Therefore, Chambers and Conway argued that a better strategy for the most vulnerable poor was not to maximize return, but to ensure survival by optimizing risk. Vijay Mahajan observed the same phenomenon in the field and posited that the poor tend to establish their livelihoods as a diversified portfolio of subsistence activities (DPSA) rather than a single, or just a couple or more economic activities that fetch higher returns, but in reality, have higher attendant input costs and risks.<sup>22</sup>

## 2.5 Various Conceptual Livelihood Approaches and Frameworks

**Figure 2** traces the emergence of various conceptual livelihood approaches and frameworks.

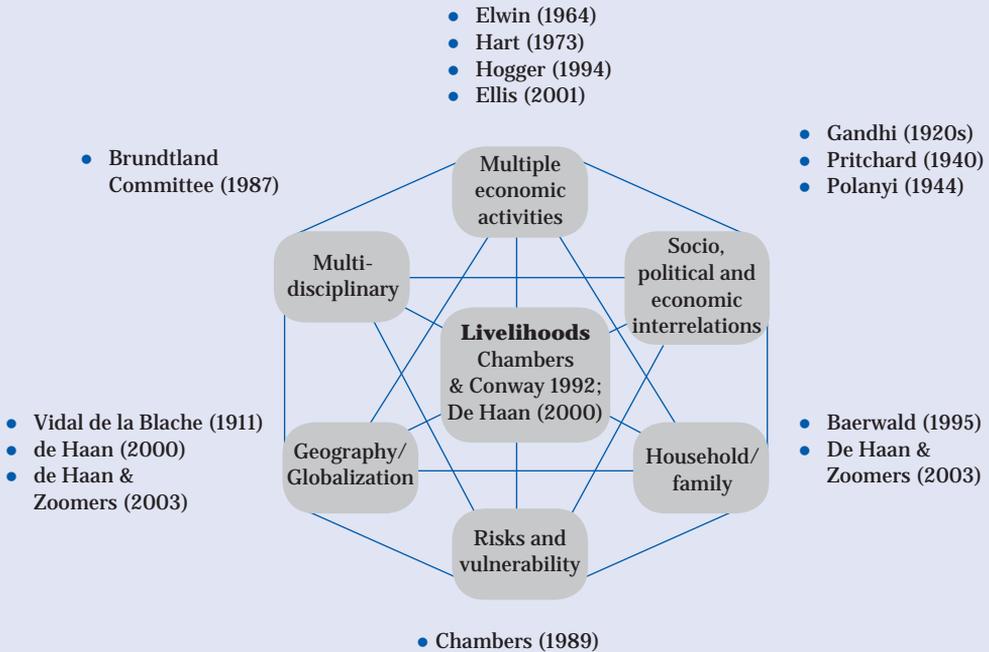
With these changes in the perspective, which were further strengthened by Indian economist Amartya Sen's work on various non-economic factors affecting economic choices and consequences, the United Nations set up the World Commission on Environment and Development (also known as the Brundtland Commission) in 1983. It was intended to review the development experiences in different parts of the world and suggest a future course of action. All member nations agreed that it is essential for people to lead long and healthy lives, to acquire knowledge and to have access to resources needed

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<sup>21</sup> Chambers, R. and Conway, G.R. (1992) 'Sustainable Rural Livelihoods: Practical Concepts for the 21<sup>st</sup> Century', Discussion Paper 296. Brighton, UK: Institute of Development Studies.

<sup>22</sup> Mahajan, Vijay (2004). The Algebra of Livelihoods - A Presentation. Basix, Hyderabad.

**Figure 2: Emergence of Livelihoods Perspective**



for a decent standard of living, at all levels of development, which is sustainable in terms of meeting the needs of the present generation without compromising the options of future generations. The various Livelihood frameworks and approaches do not offer models or theories of livelihood systems. Instead, they suggest conceptual frameworks in line with Rapport’s<sup>23</sup> definition:

“Conceptual frameworks are neither models nor theories. Models describe how things work, whereas theories explain phenomena. Conceptual frameworks do neither; rather they help to think about phenomena, to order material, revealing patterns – and pattern recognition typically leads (thereafter) to models and theories”.

### 2.5.1 The Sustainable Livelihoods Approach (SLA)

Chambers and Conway<sup>24</sup> observed that the thinking about ‘how man made a living’ had evolved substantially since the beginning of the twentieth century. By

<sup>23</sup> Rapoport, Anatol.1986. *General System Theory*.

<sup>24</sup> Chambers, R. and Conway, G.R. (1992) ‘Sustainable Rural Livelihoods: Practical Concepts for the 21<sup>st</sup> Century’, Discussion Paper 296. Brighton, UK: Institute of Development Studies.

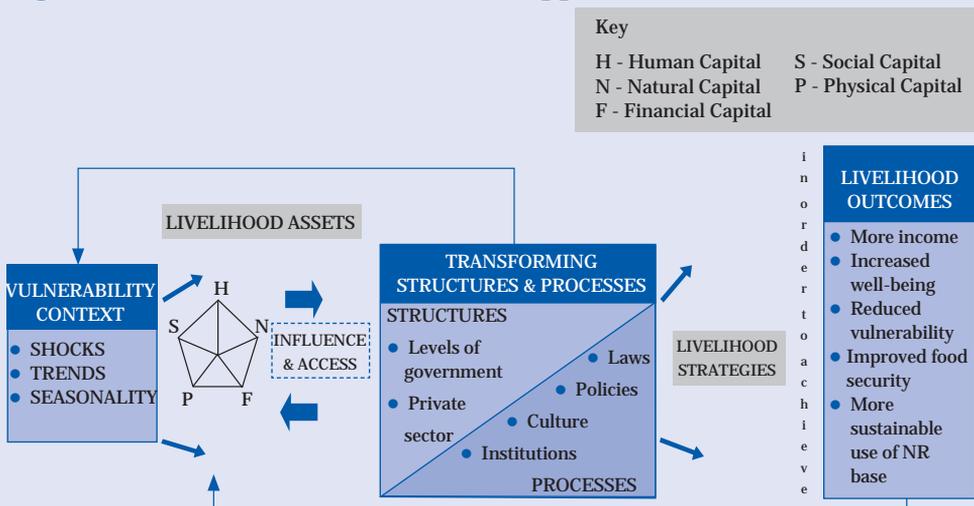
the 1980s, it was well recognized that people perform some economic activities to make both ends meet. Chambers and Conway proposed the SLA, which has become the dominant approach of development interventions since the 1990s. This approach adds five additional dimensions to refine the previously accepted thinking that people made their living by transforming assets that they could access into useful goods and services using their capabilities.

Firstly, the SLA maintains that people utilize five different forms of resources for their livelihoods, in the form of assets or forms of capital, for their livelihoods. Just as any other form of capital, these are convertible and can be accumulated. These include:

- Natural Capital such as land, water, livestock and forests, among others
- Physical Capital made by man, such as roads, dams, canals
- Human Capital in forms of their own skills, knowledge or abilities
- Social Capital in form of their social relationships, caste, clans and so on, and
- Financial Capital, not only in the form of money held, but also in the form of various assets such as jewelry, which could be liquidated to generate funds.

In addition, the SLA holds that most people, especially the poor, are vulnerable to risks and shocks, hence, they try to choose a livelihood strategy that not only maximizes returns but also helps manage uncertainty. The outcome of this strategy is seen in the fact that different members of the family pursue multiple activities, at different times of the year, with the choices changing dynamically over time in response to changing circumstances (See Figure 3).

**Figure 3: The Sustainable Livelihood Approach**



Thirdly, all economic choices are made within an Institutional Context, which define the 'rules of the game'. The context is not only defined by large institutional mechanisms, such as state policies, institutional arrangements made by the state to regulate trade and commerce, or build their capacities, but also by many smaller local institutions, like widely adopted practices of a caste or community, market entry barriers, formal institutions such as co-operatives and so on.

Fourthly, in line with Amartya Sen's conception of Capabilities, the SLA does not consider capability as only an aggregation of skills and knowledge, but in addition, it takes into account the set of abilities of a family that help them to achieve their aspirations, influenced by the number of members in the family, their health, and education levels.

Lastly, this approach does not consider all these elements, including the five types of Capital and Capacities, *as static*, but takes into account their *dynamic nature*.

A team of scholars from IDS, Sussex, under the leadership of Scoones, working on the initial concept proposed by Chamber and Conway,<sup>25</sup> proposed that livelihoods of the poor are developed around livelihood resources, but their access and utilization is determined by the local context and by an institutional framework, which govern its use. Different HHs adopt different livelihood strategies to use these resources in line with their 'Capabilities', which are influenced by their aspirations.

They argued that a sustainable development intervention must affect all these dimensions in order to impact the livelihoods of the people. For example, an intervention, which increases income while enhancing risk or doing nothing to improve the health of the members of the HH would be a mere income generation program, and cannot be considered a livelihood intervention.

They argued that livelihood outcomes must be viewed from two perspectives.

To begin with, livelihood outcomes can be viewed from the point of augmenting livelihoods by:

- Increasing income by either enhancing production, or increasing the number of days of wage employment
- Considering the effect of this increase on different dimensions of poverty, not just income poverty
- Taking into account the fact that this increased income or asset base leads to improved well-being of the HH, and

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<sup>25</sup> Chambers, R. and Conway, G.R. (1992) 'Sustainable Rural Livelihoods: Practical Concepts for the 21<sup>st</sup> Century', Discussion Paper 296. Brighton, UK: Institute of Development Studies.

- Increasing the capability of the HH, to make better choices for themselves and to utilize resources in a better and sustainable manner.

They can also be viewed from the perspective of sustainability, paying special attention to:

- The adaptation of the livelihood intervention to suit the local context
- Reduction of risk in the face of people's vulnerability
- Enhanced resilience to shocks and risks, and
- Sustainable use of resources

### **2.5.1.1 Scoones' Modification in the SLA**

Scoones<sup>26</sup> elaborated the various elements of the context, including their historical background, their ownership and control pattern that influence the access and use of the five forms of capital discussed earlier.

Scoones detailed various elements of the Sustainable Livelihoods in this improvised SL Framework. He contended that in addition to financial capital, people build their livelihoods around four resources: Natural, Physical, Human and Social. However, by this time, another concept - the Political Capital of the poor, especially in a system of democratic governance started gaining prominence. With the recognition that people used different forms of assets, often inter-changeable, as their forms of capital, the Sustainable Livelihoods Framework took into account 'Other forms of capital'. This simple change strengthened the Framework and its applicability in different contexts **(See Figure 4)**.

Access to the resources, mentioned earlier, depends on the policies created. Scoone asserts that the utilization or non-utilization of these resources is also shaped by demographic characteristics. An illustration of this is the control of all natural resources in South Africa by a handful of white settlers.

These controls are often set and managed through a series of institutionalized norms - some formal and others, informal. We must bear in mind the definition of institutions: 'humanly devised constraints on human behavior', as given by the Nobel Laureate Douglass North. Thus, institutions are the 'rules of the games' that structure political, economic and social interactions.

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<sup>26</sup> Scoones, I. (1998) 'Sustainable Rural Livelihoods: A Framework for Analysis', *Working Paper 72*, Brighton, UK: Institute for Development Studies institutions of a Nilotic people.

**Figure 4: Sustainable Livelihoods Framework, Ian Scoones, IDS**

<b>Sustainable Livelihoods Framework</b>				Adapted from Sustainable Rural Livelihoods: A framework for analysis IDS working paper-72, Ian Scoones
<b>Contexts, Conditions and Trends</b>	<b>Livelihood Resources</b>	<b>Institutional Processes &amp; Organizational Structures</b>	<b>Livelihood Strategies of Households</b>	<b>Livelihood Outcomes</b>
Policies	Natural Resource Capital	Power and Control Over Resources	Intensify Existing Activities	<b>Livelihoods</b>
History	Physical (Man-made) Capital			1. Increased Workdays
Politics		Institutions/ Organizations of the People		2. Reduced Poverty 3. Enhanced Well being
Micro-economic Condition	Economic and Financial Capital		Livelihood Diverfication	4. Increased Capabilities
Terms of Trade		Institutions supporting livelihoods of people incl. those connecting people to Markets, Technologies		<b>Sustainability</b>
Climate	Human Capital			1. Livelihood Adaptation
Agro-Ecology	Social Capital			2. Vulnerability and Risk Reduction
Demography				3. Enhanced Resilience
Social-Differentiation	Any other form of Capital	Aspirations and Dispositions of HHs	Migration	4. Sustainable Use of Resources
<b>Contextual Analysis of Trends, Conditions &amp; Policy Analysis</b>	<b>Analysis of Livelihood Resources, Trade-offs, Combinations, Sequences &amp; Trends</b>	<b>Analysis of Institutional Influences on Access to Resources, Capabilities and Livelihood Strategy</b>	<b>Analysis of Livelihood Strategy and Portfolio</b>	<b>Analysis of Livelihood Outcomes &amp; Trade-offs</b>

They are often confused with significant organizations, such as universities, large corporations, government agencies and well-established NGOs. Indeed some of these organizations often help actualize a set of norms and to that extent they are institutions, but there are many other norms which do not have a formal organization behind them. Weekly markets (*haats* or *shanties*) are examples of such institutions. There are several norms, like the day on which they work, particular spaces people occupy and so on, which are observed by a very large number of people, without any formal organization, proclaiming them to be that way.

Some institutional norms get codified and become the law. People also create organizations, often called institutions, for utilizing or enforcing those laws. For example, in India, there were many mutually agreed norms that governed people's lives locally and which were administered using the services of five-wise-men (*'pancha' or 'the five'*) of the village, chosen by the villagers. When these norms were codified across India, they came to be known as *Panchayati Raj* Institutions (PRIs).

For giving a shape to these norms on the ground, some organizations, called *panchayats*, were created. Each *panchayat* is headed by an elected member (selection is the more common, mutually accepted norm) the *sarpanch*, who is supported by a secretary and other staff. The organization, the *panchayat*, is built under the framework of the PRIs. The village *panchayat* often sets local village norms: who can graze their cattle in the local forest, or can a particular well be reserved for drinking water or for irrigation, and who all can use it, and so on.

Similarly, at the national level, there is a norm or practice, widely accepted that the nation must provide industrial training to its youth. To actualize this idea, also accepted by the Government of India, many training organizations called the Industrial Training Institutes were set up. Such institutions play a vital role in shaping the livelihood choices of people. They determine which resources can be used, and by whom, and the purpose of its use. These mutually accepted norms also outline people's entitlements. It is for these reasons that the SLA proposes that resources be viewed through the lens of institutional norms.

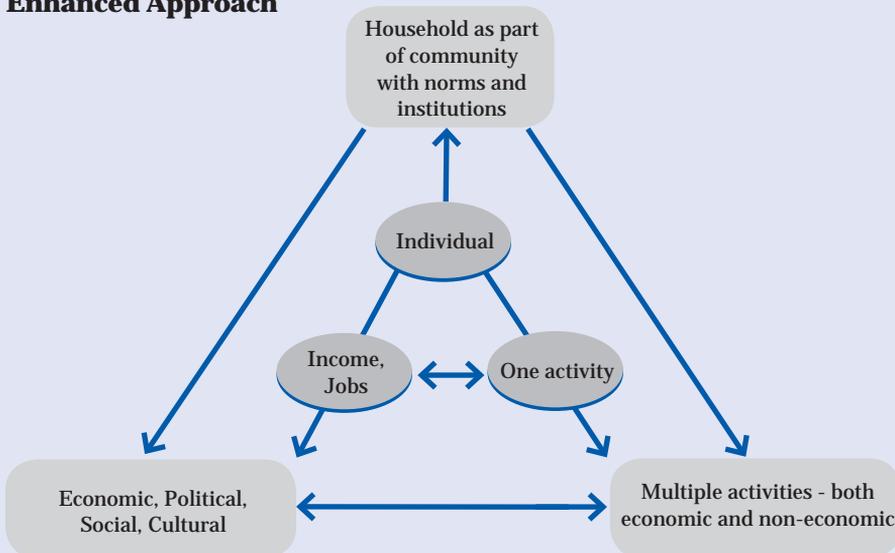
The authors of the SLA (Conway & Chambers 1992, and Scoones 1998) emphasized considering both supportive institutions (such as training institutions) and enabling institutions (such as marketing co-operatives) for livelihoods. However, neither **paid adequate attention to the power relations that control the use of these resources**. It is for this reason that we have added that dimension to this framework.

The Sustainable Livelihood Approach provides a new perspective on people's development. As Farrington,<sup>27</sup> 2001, states, it is:

- A set of **principles** guiding development interventions (whether community-led or otherwise). The fundamental point here is that an intervention has to be evidence-based rather than being one instigated in a top-down fashion without adequate knowledge of the community.
- An **analytical framework** to help understand what is and what can be done. Thus the logic as set out here is to appreciate the current, available forms of capital, the HH's vulnerability and the involvement of institutions. The logic provides a framework that can serve as the basis for an analysis.
- An **overall developmental objective**. In this case, development is the improvement of livelihood sustainability, perhaps by making the capital less vulnerable, or by enhancing contributions made by some forms of capital or even by improving the institutional context.

This SLA necessitates expanding our vision on three dimensions: from an individual to a HH, from an activity to a set of activities, and by expanding its scope from the economic to include social, political and cultural activities. **Figure 5** below illustrates this approach.

**Figure 5: The Sustainable Livelihoods Approach Considering an Enhanced Approach**



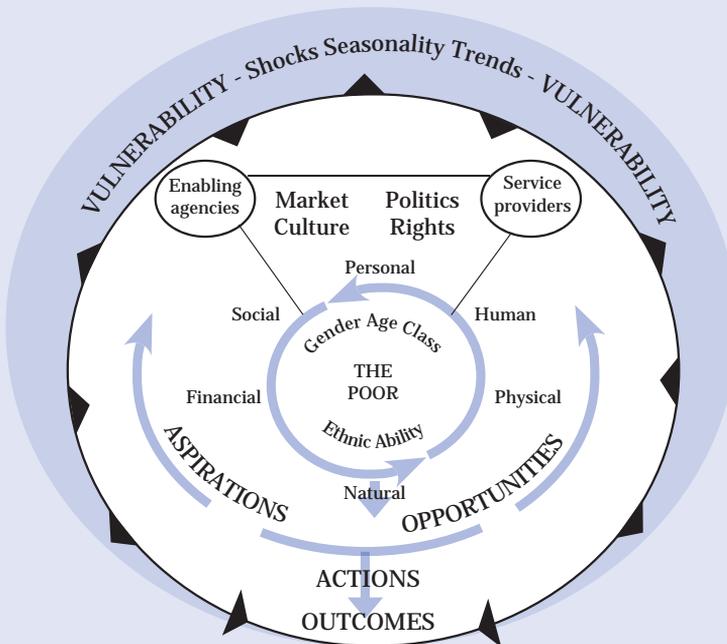
<sup>27</sup> Farrington, J. (2001) 'Sustainable livelihoods, rights and the new architecture of aid'. Natural Resources Perspectives 69. London: ODI. Also available at [www.odi.org.uk/nrp/69.pdf](http://www.odi.org.uk/nrp/69.pdf).

## 2.5.2 The SLA as Modified by IFAD

The International Fund for Agriculture and Development developed an ‘alternative’ SLA (**Figure 6**). It accepts the basic construct of the SLA but emphasizes markets, rights, culture and politics. In this sense, the IFAD approach incorporates the theoretical work of Karl Polanyi, the quibble of George Kimble and the insights of Arjan de Haan<sup>28</sup> on social exclusion. In addition, Sen’s ideas of capability are integrated as ‘Aspirations and Opportunities’.

The alternative sustainable livelihoods approach recognizes that policies, institutions and processes influence access to assets and their use, which ultimately affects livelihoods. India’s land laws, policies and land reform distribution processes may have a bearing on whether a family can have a plot large enough to maintain a cow and whether it can augment its land holding.

**Figure 6: IFAD’s Sustainable Livelihoods Approach**



<sup>28</sup> Haan, Arjan (1998) Social Exclusion: An Alternative Concept for the Study of Deprivation? *IDS Bulletin, Sussex*.

The *panchayat* has the power to stipulate whether a family can qualify for a governmental housing plot program. A credit market can allow a family to obtain a loan, and formal and informal village governance groups may dictate whether common land may be used for grazing. These institutions play a critical role in supporting and supplementing assets and livelihoods.

A third dimension that can be added to this analysis of institutional influences on livelihood choices is the orientation of the individual, and of her or his family. Orientation, or the general world view or their **aspirations** play an important role in determining a HH's livelihood strategy. Amartya Sen<sup>29</sup> argued that different people, cultures and societies may well have different values and aspirations, which may lead them to attach different utilities (or values) to different commodities.

Rudolf Hogger<sup>30</sup> dealt with this in great detail in the course of developing the Nine-Mandala Framework (discussed below). He argued that the orientation of the individual, the family and the community in which they lived were critical determinants for a family deciding on their livelihood strategy.

Thus, in short, the SLA shows that families choose a livelihood strategy, taking into account their resource endowment, as negotiated through the institutional context in which they live, with its historical, social and political context, not only to augment their income, but also to ensure it is done in a sustainable manner, considering the risks and vulnerabilities they face.

### **2.5.2.1 The Nine Mandala Framework of the SDC**

The Swiss Agency for Development and Cooperation (SDC) initiated an effort to blend the SLA concept of DFID with an alternative approach, originating from a collaborative research effort on Rural Livelihood Systems (RLS) conducted by NADEL (Postgraduate Studies on Development at ETH Zurich) and its three research partners in India (ISEC, Institute for Social and Economic Change, Bangalore, IRMA, Institute of Rural Management and SAMPARC, a Bangalore based NGO). The scholars working with SDC observed that though SLA captured the physical reality of livelihoods to a great degree, it was shaped by the orientation of the people, their families and the community. They proposed an alternate framework for the analysis of livelihood opportunities, popular since as the Nine Mandala framework.

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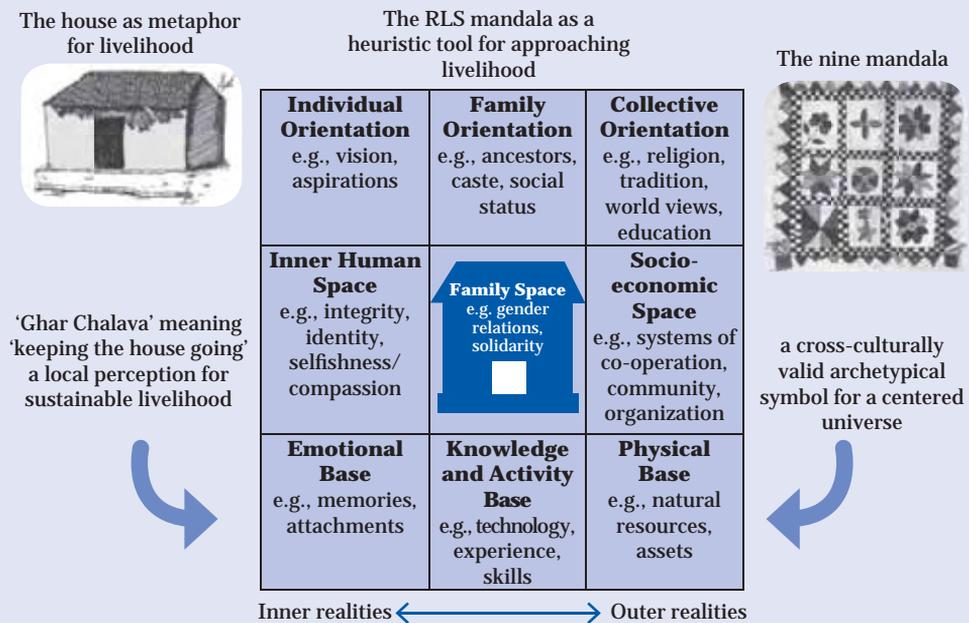
<sup>29</sup> Sen, Amartya, 1985. *Commodities and Capabilities*.

<sup>30</sup> Rudolf Hogger (1994) *The Family Universe: Towards a Practical Concept of Rural Livelihood Systems*.

This is also known as the Rural Livelihood Systems (RLS) approach. The guiding assumption of the RLS research project was that effective strengthening of the self-help capacity of rural HH's calls for a shift from sustainability concerns about single natural resources, such as land, water, pastures, etc., to the meta-level of sustainable livelihoods.<sup>31</sup>

It is, therefore, not surprising that when queried about the local meaning of sustainability, farmers in the Indian state of Gujarat captured their notion of sustainable rural livelihood with the expression '*ghar chalava*', meaning, 'to keep the house (-hold) going'. 'Keeping the house going' obviously implies more than just a narrow bundle of different income sources or assets. It points to the almost countless number of factors, forces and efforts on which the 'sustained life of a given social unit' - in this case, the family - depends. The mandala conceptualizes different aspects of livelihoods in nine squares. For conceptual clarity, each square is considered to denote one aspect of the livelihood system. In reality, they are all interlinked and cannot be viewed in isolation. The mandala is depicted in **Figure 7** (Baumgartner and Hogger, 2004).<sup>32</sup>

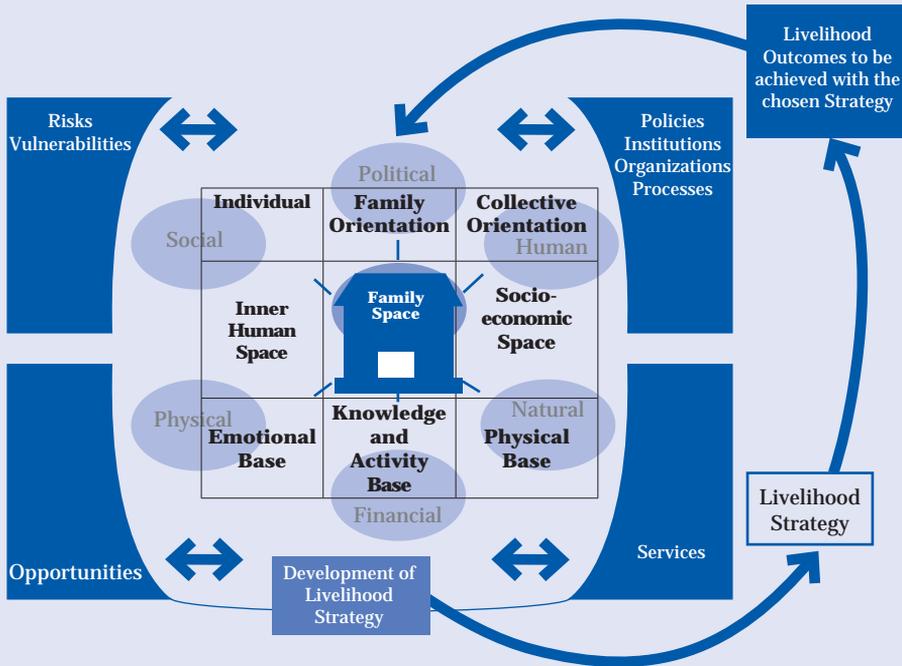
**Figure 7: Rural Livelihoods Systems Framework: Capturing Meaning of Livelihood**



<sup>31</sup> Working with A Sustainable Livelihoods Approach, SDC and Nadel, 2007

<sup>32</sup> Baumgartner, Ruedi and Rudolf Högger 2004. *In Search of Sustainable Livelihood Systems: Managing Resources and Change*. Sage Publications.

**Figure 8: The DFID SLA and the SDC RLS Blended**



Blending elements of the livelihood approaches of DFID and RLS combines the strengths of the two frameworks. The resulting framework not only ensures a comprehensive analysis of the context of local livelihoods, but it also directs attention to the significance of people’s capacity to take decisions with regard to their own livelihood strategies. This focus is essential, since successful poverty reduction ultimately requires that people are sufficiently empowered to take decisions on improved livelihood strategies that lead to more sustainable outcomes. This is shown in the **Figure 8**.<sup>33</sup>

### 2.5.3 The Coolies’ Framework

BASIX, the livelihood promotion institution, recognized that though a considerable number of livelihood decisions are taken by the HH, it is done within the substantial influence of the external context. Though the SLA made a serious attempt to factor in the context, by developing the ‘Analysis of Context’, it required

<sup>33</sup> NADEL, 2007. Common features of the livelihood approaches of DFID and RLS. Accessible at <http://www.poverty-wellbeing.net/media/sla/docs/2-3.htm>

further development and detailing before it could be used practically in the field. Vijay Mahajan and Thomas Fisher<sup>34</sup> had extensively used Michael Porter's<sup>35</sup> framework for analyzing the strengths and weaknesses of an industrial sub-sector. The authors then helped Sankar Datta adapt this framework for analyzing livelihood intervention choices for the poor. They cheekily named it the 'Coolies' Framework', taking into account the fact that a porter is called a Coolie in Hindi! The main elements of the Coolies' Framework are the Internal Context and the External Context, under which livelihoods for a particular target segment are sought to be promoted. These contexts are discussed below:

### **2.5.3.1 Understanding the Internal Context of Intervention**

There are two important elements of Internal Context that must be borne in mind, while designing or assessing a livelihood intervention.<sup>36</sup> These are:

- The **People**, whose livelihoods are to be promoted, and
- The **Organization** or **Agency**, promoting or supporting livelihoods.

Livelihood promotion activities, or support activities are always developed around a group of people. Therefore, before designing any intervention it is vital to know the target group and be familiar with their livelihood patterns.

Even if their current livelihood options are inadequate, people may have some livelihood activity or the other. Therefore, it is always desirable, when developing livelihood promotion efforts, to take up activities incremental to present livelihoods, or which easily dove-tail into people's present way of living. It is therefore, important to know three aspects about the HH:

The Livelihood Portfolio of the HH, their Capacities and their Livelihood Strategy.

**Livelihood Portfolio:** The set of economic activities carried out by the HH constitute their livelihood portfolio. It is important to know the mix and pattern of activities which engage members of the HH at different times of the year. Consider this example of a poor HH with an acre of land, typical of many small-holding farmers. It uses it completely to cultivate paddy. However, this is not adequate to meet the requirements of the entire family, and this land also does not keep them fully occupied throughout the year. Thus, after completing transplantation in

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<sup>34</sup> Mahajan, Vijay and Thomas Fisher, with Ashok Singha, 1996. *The Forgotten Sector: Non-farm Enterprises and Employment in Rural India*. ITDG, Rugby, UK.

<sup>35</sup> Porter, Michael E. 1990. *The Competitive Advantage of Nations*. The Free Press, London.

<sup>36</sup> From the Resource book on Livelihood Promotion, 3<sup>rd</sup> Edition.

their land, the lady of the house earns some wages from paddy transplantation in other's fields. When the rainy season ends, the man gets some wage employment as the construction activities resume. During this period, the lady also gets some wages from weeding activities. The family has two cows, and gets some income from the sale of milk. Their daughter looks after these two animals as well as the dozen country chicken in their back-yard. However, they sell the fowl only when they need some cash. The son works in the tea-shop near the bus stop. The livelihood portfolio of this household constitutes of the return from sale of paddy, milk, chicken and wage earnings from transplantation, weeding, construction, as well as wages earned at the tea shop.

**Livelihood Capacity:** Livelihood activities carried out by the members of a HH depends on their livelihood capacity. The livelihood capacity of a HH is determined by many factors besides the number of members. It is influenced by their skills and knowledge that contribute to the family's earnings, by their attitudes towards new activities, their asset base, and by the opportunities available to them as well as the cultural and social conditions of the area. Therefore, it is important to know:

- The various skills and knowledge that people have.
- Shortfalls in a HH's income and buffers from which these are met.
- Opportunities in an area that are accessible to the family as well as barriers posed by social and cultural conditions.
- Finance, including credit available throughout the year, to make investments as well as to even out cash-flows at different seasons.

The Livelihood Capacity of a family gets affected by different events. When the son gets married and the bride joins the family workforce, their capacity for work goes up. Similarly, a death or ill-health of a working member of the family reduces their capacity for work. Acquisition of some new skills by members of the HH increases their capacity to produce new objects, or provide new services, and thereby enhances their income. Acquiring a new asset, for example, a new plough, increases the livelihood capacity of the house, as it allows the HH to till their land better, or it also presents an opportunity of renting out the plough after their own use.

**Livelihood Strategies:** To make use of available livelihood capacities, different HHs use different strategies.<sup>37</sup> Thus, it may also be useful to understand:

- The preferences of the families from different livelihood strategies
- The risks and shocks faced by the family

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<sup>37</sup> 'Rural Livelihoods and Diversity in Developing Countries' by Frank Ellis, 29 June 2000

- Their ability and coping mechanisms to endure these risks and shocks
- Entrepreneurial ability of the people: both in terms of their ability to take risks and their attitudes towards taking up new initiatives.

Different people use different strategies to cope with risks and shocks. Some work on other's lands, while others choose to migrate. If there is a possibility of earning some additional income, some expand the existing activity, while others may choose to diversify.

***The Intervening Agency:*** The other important element of the internal context is the organization making the intervention. With regard to the intervention, the following aspects are important for the agency involved, and must be understood well:

***Mission:*** Does the intervention fit with the organization's mission? How core is livelihood promotion to the organization's mission? It is important to figure these out since the organization's functioning must align with its mission.

Any mission is translated into specific objectives that the organization tries to achieve. In order to achieve those objectives, it adopts a **Strategy**, which is the way to achieve the objectives, and creates a **Structure** to implement the strategy. The organization's **Staff** executes their work and adopts a particular style of functioning, which is appropriate to the organization. An appropriate alignment of these elements helps the organization achieve its mission.

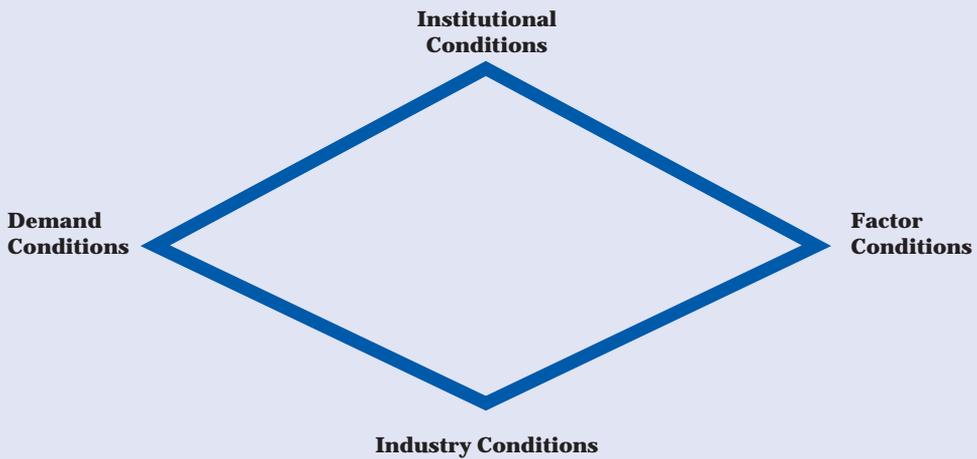
***Capacity:*** The capacity of an organization includes its set of competencies, and it depends on the availability of relevant financial and human resources. It is important to be aware of an organization's core competency, as it is likely to have serious implications on the interventions they take up. Similarly, different funding sources and their nature may also influence the organization's capacity.

### ***2.5.3.2 Exploring the External Context***

After understanding the relevant aspects of the segment of people for whom the livelihood intervention is shaped and the intervening agency, it is important to grasp the external livelihood context.

There are four elements of the external environment that influence livelihood choices: the Factor Conditions, the Demand Conditions, the Industry Conditions and the Institutional Conditions (**See Figure 9**).

**Figure 9: Elements of the External Context**



### ***Factor Conditions***

Livelihood activities utilize various accessible resources. Resources that go into production of goods and services constitute the Factor Condition. For example, land, water, agro-climatic conditions, availability of skilled people, the prevailing political economy, conditions of roads, availability of electricity, general development indicators of the region define the activities that can support a number of livelihoods in that area. Such Factor Conditions must be understood before considering an intervention.

The presence or dearth of different Factor Conditions can imply adoption of different livelihood intervention strategies. For example, the organization PRADAN, promoted lift irrigation in the Ranchi-Lohardaga area, while choosing to work in the leather sub-sector in Barabanki-Uttar Pradesh. This choice was made on the basis of several favorable factor conditions (many of the resources) in these two locations. In Ranchi-Lohardaga, water from small streams was plentiful and the tribals who owned land near the streams were able to undertake cultivation once they got irrigation. In Barabanki, there was a large cattle population and a lot of landless people who had the skill of handling dead animals, and did not have any social/cultural prejudice against such occupation. The ready availability of hides from dead cattle was a source of raw leather and therefore PRADAN chose to work with the tanning of leather in Barabanki.

While examining the Factor Conditions, one must note that the mere presence of the factor conditions in the area may not be adequate to deem them useful. In order to actually enable livelihood opportunities, a factor condition must have the 4-As:

- **Asset** : The asset, physical or otherwise must exist.
- **Awareness** : People must be aware that such an asset exists.
- **Ability** : People must have the ability to use that asset.
- **Access** : People must have access to the asset.

Unless these 4-As are also present with the resources, they are not useful to any livelihood intervention effort. Some tools related to the access and ownership of resources are discussed in the chapter on Tools as well.

### ***Demand Conditions***

Whatever be the chosen livelihood activity, there is always some output in the form of goods or services. These goods or services are either useful to the HH (self-consumption) or to others who are willing to pay something equivalent to their value, and which constitutes its demand. When examining Demand Conditions, it is necessary to find out who is demanding the goods and services produced by the people. Is the demand local? Is it increasing, decreasing or stagnant?

It is aspects such as these that determine Demand Conditions, and which in turn, determines the number of livelihoods that can be supported, and the income that can be generated from the activity. Demand Conditions play a significant role in determining livelihood intervention strategy.

### ***Industry Conditions***

The third element of the external context is the nature and status of the industry, of which, the livelihoods activity forms one part. Here we use the word 'industry' in a broader sense, to include all economic activities. For example, production of paddy is a part of the cereal food industry.

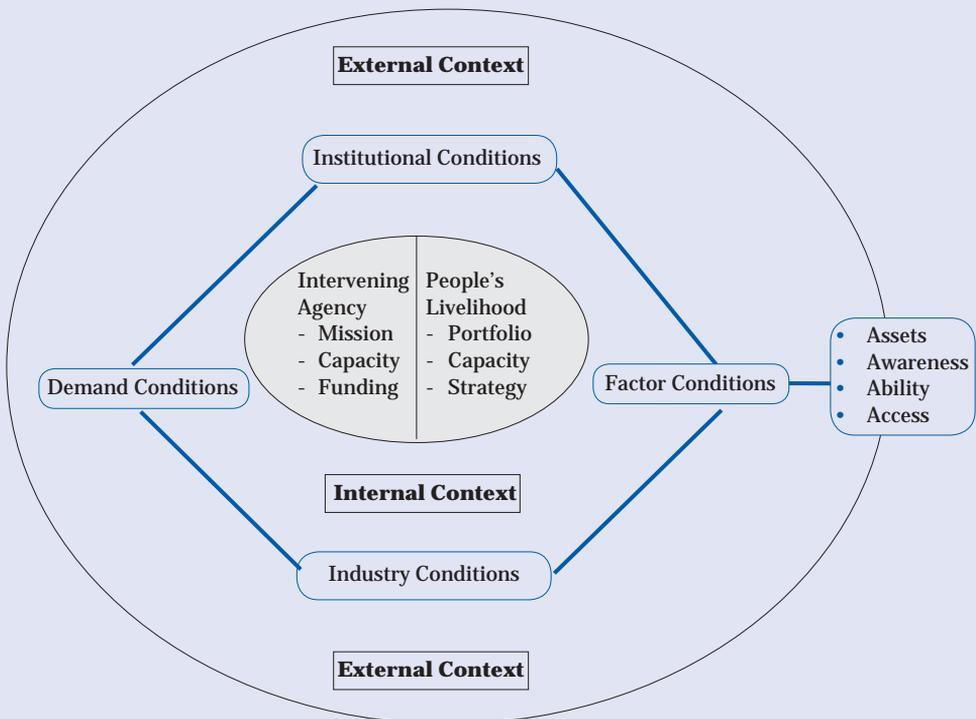
Thus, it is important to assess the status of the industry, in which the livelihoods are to be promoted. Is the industry growing and vibrant, or is it stagnant and dying? Are there other related and supporting industries that extend their services? These related and support industries often play a critical role in the chosen livelihood activity. Their presence or absence creates conditions that make one livelihood intervention more effective or appealing than the other.

### ***Institutional conditions***

All livelihood activities, and for that matter, all economic activities, are bound by some institutional context. Apart from state policies and tax laws that govern the activity, there are local norms, social arrangements that also infringe upon livelihood choices. Often these local institutional arrangements, which express themselves as Social Norms, help people manage their risks and vulnerability. Presence of various institutions such as promotional, research and training institutions, producer associations, also significantly influence the choice of livelihoods. Together such elements define the Institutional Conditions, which forms the fourth element of the external context influencing the choices in a livelihood intervention.

These ideas have been converted into measurable instruments (the 3-E Exercise), which are available in the accompanying CD.

**Figure 10: The Coolie's Framework**



## 2.5.4 Framework for Value Chain Based Livelihood Interventions

Some examples of livelihood interventions based on integrated sectoral strategies covering the entire value chain are endeavors such as cooperatives in sugarcane processing and AMUL and the NDDDB in milk and later soybean processing, which emerged in the 1950s and grew right through the 1980s.

In order to understand a value chain, one needs to understand the meaning of 'value addition'. Value Addition is the difference between the total income and total costs of all purchased inputs and services.

$$VA = (P*Q) - (\Sigma C_i) \text{ where } \Sigma C_i = w + r + i + y + \pi$$

Where P refers to price, Q is quantity produced;  $\Sigma C_i$  is the summation of the cost of all purchased inputs and services. Further,  $C_i$  constitutes the economic value of all the 'factors of production' such as wages (w) for labor, rent (r) for land, interest (i) on capital, royalty (y) on technology and profit ( $\pi$ ) for the enterprise or the entrepreneur.

Each player wants to increase his or her share of the value, depending on the market and its competitiveness. The generic value chain can be depicted as a tree with numerous roots and branches.

The roots represent a large number of producers; the stem having three stages of processing i.e., primary, secondary and tertiary leading to numerous branches representing consumers.

Stage-1 : Producers: example, dairy farmers, paddy farmers

Stage-2 : Local processing: example, drying, threshing and bagging etc.

Stage-3 : Secondary Processing: example, pasteurization, homogenization; milling

Stage-4 : Tertiary Processing: example, skimmed milk powder, pouches; flakes, rice

Stage-5 : Distribution, retail

**Stage-1 Primary Production:** There is high transactional cost and high risk, which can be mitigated to some extent by forming producer collectives such as farmers' groups which can be jointly liable and the risks can be managed using insurance services.

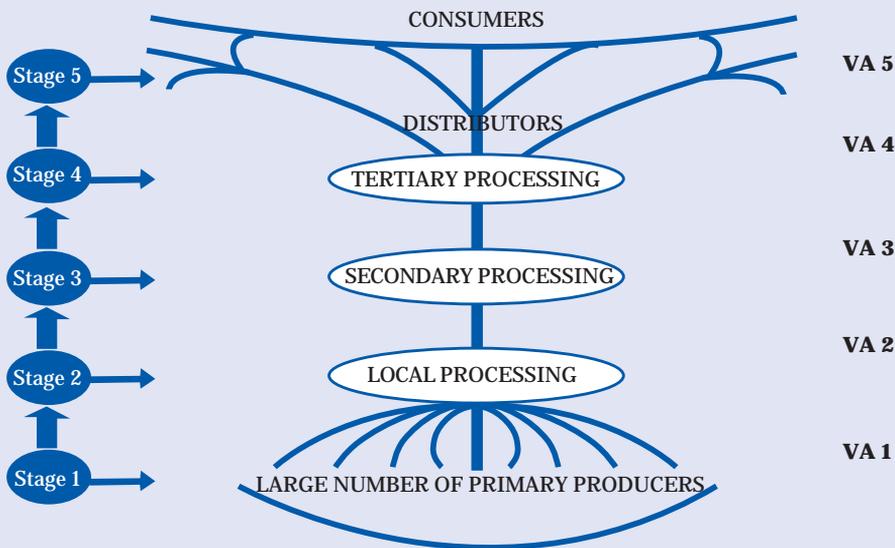
**Stage-2 Local Processing:** is largely done by the farmers themselves through self-financing or with some loans from a *katcha adatiya* (a local trader who sells onward to a larger trader). There is scope for such lending for collective activities.

**Stage-3 Secondary Processing:** Needs substantial capital investment, both term loans and working capital. This stage witnesses entrepreneurs largely from agricultural or commercial backgrounds who take term loans from banks or SFCs.

**Stage-4 Tertiary Processing:** Needs larger capital investment, both term loans for plant, machinery and buildings and working capital for inventory. Banks, SIDBI, IFC are involved. Institutions such as IFC may even consider holding equity in such initiatives.

**Stage-5 Distribution:** Two types – localized and nationwide. The latter needs larger capital investment, both term loans and working capital, for building warehouses, transport vehicles and retail outlets. There is existing scope for building distribution and retail chains. Banks, SIDBI, IFC are involved. Private equity is also needed for such initiatives.

**Figure 11: The Stages in a Value Chain**



## 2.6 Our Working Definition of Livelihoods

Today as we understand it, livelihoods is a system of making a living where different members of a HH, and not just an individual, engage in a set of activities. These may be either social, political or economic activities, which come together getting influenced by their culture in the process, performing diverse functions, such as production, exchange, conservation, and managing relationships with others in the society, all for a means of living. HHs adopt different strategies to best utilize their capabilities and the various resources to which they have access, mitigating the risks they face, especially in the case of those who are very vulnerable.

This way of examining people's livelihoods recognizes that the various factors affecting their livelihoods, including resources, and people's capabilities are formed on the basis of their aspirations, and the needs (or the demand) that they cater to, are dynamic and changing over time.

For the purpose of this Fourth Edition of the Resource book, we define 'livelihoods' as follows:

“A livelihood is the way in which people make their living – getting together basic necessities such as food, shelter and clothing, and meeting longer term needs such as health and education.

Livelihood implies working and earning, but it is more than just economic activities as it is always done in a social and cultural context and thus, livelihoods tend to become a way of life, which gives a HH its identity, and its place in society. Dignity of a livelihood is thus important.

HH and individual livelihood choices are constrained and determined by historical, political, social and cultural factors and the physical environment and not just by economic factors”.